

CDBG POLICY COMMITTEE MEETING
February 28, 2001

MINUTES

Present:	Chesley Christensen	Six County AOG
	Lorna Stradinger	Duchesne County
	A. DeMar Mitchell	Wasatch Front RC
	Jeff Gilbert	Bear River AOG
	Laurie Burmmond	UBAG
	Kelari Keller	UBAG
	Shelly Brenner	UBAG
	Shirleen Lowry	Six County AOG
	Kimberley Schmeling	DCED
	Art Peterson	DCED
	Michelle Lea	DCED
	Cheryl Elliott	DCED
	Keith Heaton	DCED
	Richard Walker	DCED
	Lane Nielson	Wasatch Front RC
	Steve Browne	Mountainland AOG
	Gary Zabriske	Five County AOG
	Jerry McNeeley	Moab/SEUALG
	Debbie Hatt	SEUALG
	Bryce Neilson	Bear River AOG
	Kevin Butler	Butler Corp.
	Teryl Hunsaker	Com. Tooele
	Sheila Peterson	DCED
	Cristine Rhead	DCED

WELCOME AND INTRODUCTIONS: The meeting was held Wednesday, February 28, 2001 at 324 South State Street, 5th Floor in Salt Lake and began at 1:00 p.m. DeMar Mitchell, Chairman, welcomed everyone and asked for introductions. New members of the Board are Lorna Stradinger, Jerry McNeeley and Jeanine Cook. Their names have been submitted to the Governor and are awaiting his approval.

ELECTION OF NEW CHAIRMAN: Nominations were opened for a new Chairman and Vice Chairman.

Motion: Bryce Nielson nominated Chesley Christensen to be Chairman; seconded by Lorna Stradinger. Motion carried.

Motion: Mayor Christensen nominated Councilman Nielsen for Vice Chairman; seconded by Councilwoman Stradinger. Motion carried. The terms will be for two years.

APPROVAL OF MINUTES: Mayor Mitchell asked for approval of the minutes from the August, 2000 meeting.

Motion: Mayor Christensen made a motion to approve the minutes; Bryce Nielson seconded the motion. Motion carried.

INFORMATION ABOUT CDBG: In the past water and sewer projects have usually been the most heavily funded projects throughout the state. In the last two years, construction projects have received most of the

funding. These projects include senior centers, community centers, and fire stations. HUD has requested that states have no more than 1.5% of the yearly allocation unspent. Utah is fifth in the nation in getting our money spent and out in the communities in a timely manner.

INTERIM LOAN FUND REQUESTS:

a. Neighborhood Nonprofit Housing Corporation, Nibley Utah: Jeff Gilbert from BRAG and Michelle Lea presented this project. This project is in Nibley, City and is comprised of the construction and infrastructure of 29 individual affordable homes. A portion of the project has already been funded using a HOME money deferred loan of \$239,000. Nibley City has also contributed to the project by waiving \$2805 of impact and hook-up fees for each home and \$81,000 in match money on the infrastructure build-up. Two hundred thousand dollars of CDBG will be used for the majority of infrastructure build-out. There is a Gap in the financing of this project of \$151,000 needed to complete surface infrastructure. This is not an allowable use of funds under HOME criteria and so the NNHC is requesting a CDBG interim loan for this purpose.

Michelle said that this project would provide affordable housing to Low-moderate income persons. There has been a great deal of local support demonstrated by the strong financial contributions of Nibley City and the priority placement by Bear River Association of Governments on the original grant request.

Kimberley Schmeling questioned why CDBG money needed to be used instead of OWHTF or HOME money. Michelle said that HOME and OWHTF money couldn't be used for infrastructure. The staff at Neighborhood Nonprofit Housing Corporation is still looking at other sources and may not need the CDBG money.

Staff recommended funding this request at \$151,000 conditional upon the following: 1) Terms of the loan will be such that pay down will occur with the sale of individual lots sold to begin no earlier than June 2001 and no later than June 2003; 2) Project will be designated as affordable housing only, serving LMI as applicable; 3) Review of all contracts, bids and relative engineering on said project; 4) Completion of CDBG final application sufficient to program criteria; 5) Neighborhood Nonprofit Housing Corporation is to provide a letter of credit.

Motion: Bryce Nielson made a motion to approve and interim loan of \$151,000 at 1% interest on 18 month payback to Neighborhood Nonprofit Housing Corporation in Nibley, Utah contingent upon receipt of a letter of credit. Mayor Mitchell seconded the motion. The motion carried with the following conditions: 1) Terms of the loan will be such that pay down will occur with the sale of individual lots sold to begin not earlier than 6/2001 and not later than 6/2003; 2) Project will be designated as affordable housing only, serving LMI as applicable; 3) Review all contracts, bids and relative engineering on said project; 4) Completion of CDBG final application sufficient to program criteria including an irrevocable letter of credit.

b. Butler Builders in Wendover, Utah (Tooele County) Information on this project was provided by Blaine, Michelle and Kevin Butler. Kevin currently owns and operates Butler builders in Grantsville, Utah. The company is a privately owned building supply company affiliated with "Do-it Best" wholesale. Mr. Butler proposes to expand his business to Wendover, Utah by constructing a new building there. The amount of the request is \$750,000, the total project cost. No other lending agency is involved at this time. There is no indication that CDBG will be providing "gap" financing. Kevin has indicated that "Do-it Best: will carry inventory costs for one year and that these costs are shown as part of the \$750,000 request. This project would serve low-moderate income persons by providing employment in an area that is predominantly LMI. Kevin hopes to create 10 –15 jobs at relatively high pay based on the area standard. Both the city and county have shown support for this project. Tooele County is willing to lease a 2.5-acre site to Mr. Butler for \$1.00 per year for 99 years.

The staff recommends that the Board consider this a preliminary presentation and consider revisiting this project when more complete financial information is available. Michelle asked that the Board look at this request conceptually while the staff works out the details including a marketing plan and detailed costs of the project. Michelle feels that this is an excellent project. She stated that Mr. Butler would save 22% on inventory

purchases if this project were on board before June. Rural Development will act as the guarantor. Staff will put together a letter listing contingencies on this project and send it to the Board.

Motion: Councilman Nielsen made a motion that this project be considered conceptually. Final approval would depend on staff's findings and recommendations when the study of the project is complete. Lorna seconded the motion and it carried.

2001 – 2002 HUD ALLOCATION: Sheila Peterson reported that our final state allocation of CDBG money this year is \$8,037,000. This is a reduction of \$17,000 from last year. Each region needs to look at the portion of money that they will receive and rework things if necessary to get the final figures to the State office for the awards. A paper was given to everyone showing entities where rollbacks or reallocated funds are being received. Any changes of regional allocations should be sent to the State office as soon as possible using the new amount.

This year there are 54 grantees that have been given funds. Twenty-two of them have received money in the last two years and 32 have not received any. All of the regions have completed the rating and ranking process except Weber County although all of the Weber grantees have been included on the list. The 32 new grantees will attend a one-day workshop on April 17, and those who have been grantees in the last two years may only need to attend a ½ day workshop on April 18, 2001. The AOG's will attend a workshop on April 18. The majority of grantees (20) are from Utah County north. The places of the workshops will be at the Kaysville, Utah City Hall on April 17, 2001 and at 324 South State Street, Rm. 501 on April 18, 2001. (The Kaysville location was subsequently changed to be the State Library offices in Salt Lake City.)

Motion: DeMar Mitchell made a motion to approve the grantees. Bryce Nielsen seconded the motion. Motion carried.

2001 – 2002 CONSOLIDATED PLAN: Richard presented the information on the 2001-2002 Consolidated Plan. Board members each received a copy of the Continuum of Care and the Affirmatively Furthering Fair Housing Plans. Last year the Board did a new Consolidated Plan as did each Region. This year the things that are required from each Region are: 1) An updated Affirmatively Furthering Fair Housing Plan, 2) to become completely invested in the Continuum of Care process as we get ready to apply for HUD NOFA, and 3) to give the State a one year action plan for what each community is going to do over the next year with CDBG, HOME, HOPWA, and Emergency Shelter. The Consolidated Plan is a HUD requirement in order to get funding. The plan includes community development, housing and economic development. The needs of the community in these three areas are to be identified, as well as how HUD money will be used in these areas.

The Continuum of Care is an analysis of homeless needs and how to move homeless people out of a homeless/unemployed state into a housed /employed state. It also describes the entire infrastructure that needs to be in place to make the changes. This information is needed so that we can apply for the NOFA fund. A Gap analysis needs to be done to complete the transition from homeless/unemployed to housed/employed. Is there enough transitional housing? Is health care available to the homeless?

The Affirmatively Furthering Fair Housing Plan is for the purpose of identifying the impediments in a community that exist that prevent people from having a choice in the type of housing they have. Questions to be addressed include: Are there constraints that are present? Is there money to help people get into housing? Is there affordable housing for those who cannot pay more than 30% of income toward housing? Some of the Impediments to Housing include: 1) Personal income and credit worthiness – there are many “working poor.” Many have over used credit cards; 2) Housing Availability and housing type – not enough large apartment complexes in many areas, and not enough affordable housing units; 3) Infrastructure – communities cannot support growth; 4) Land use ordinances; 5) Neighborhood acceptance of affordable housing – some improvement in attitude but we need to educate the public on what affordable housing is; 6) Housing Quality; 7) Lending and real estate practices.

Steve Browne commented that when there is an impediment to affordable housing in a city, some people equate it to bigotry or discrimination although that may not be the case. The more people that move in, the more it will cost the city to provide police and fire protection. It also becomes more taxing on the infrastructure. A city may want to have affordable housing but when a large apartment building is built or a large tract of land is set aside for affordable housing, the city has to subsidize that area. Impediments are sometimes financial decisions that a city has to make so they can afford to subsidize people coming into their community. You need to have a partnership with city, taxpayers, and the developer bringing in private money to provide housing for the least advantaged in the community.

Motion: Bryce Nielsen made a motion that the 2001-2002 Consolidated Plan be approved. Lorna Stradinger seconded it, and the motion carried.

HUD MONITORING ISSUES: Shelia reported that last July when HUD came to Utah to monitor our files on the whole they were pleased with our program, especially our rate of getting the money out to our projects. They selected 40 applications to monitor and found one had not met a national objective. The project was a “spot” slum/blight project in Weber County. A bridge was torn down, and then rebuilt. Demolishing the bridge under “spot” slum/blight was fine, but rebuilding is not allowed in the HUD regulations. Our regulation guide under “spot” slum/blight says “rehabilitation” which staff interpreted as also meaning “reconstruction”. The actual regulation says, “relocation”. We need to bring our application guide into compliance with HUD’s wording so that there will not be a problem like this again. Weber County now needs to identify another national objective under which they can complete the project of rebuilding the bridge. If they cannot find another national objective, the money will have to be returned.

Motion: Lorna Stradinger made a motion to change the wording in our application guide to match HUD’s language. Bryce Nielsen seconded the motion. Motion carried.

RATING AND RANKING POLICIES: HUD had a problem with our Method of Distribution. The AOG’s are encouraged to do fewer and larger projects. The trend is down in the number of projects but up in the size of the projects. The rating and ranking process in the different regions also has some problems according to HUD. The criteria used should be more specific so that it becomes easier to see why one project received a rank of 20 and another 80. More specificity allows applicants to know how to maximize the number of points they will get. If you have criteria with a range of points, AOG’s need to establish what kind of project would receive the maximum points.

Richard asked that the Board members sit down with Regional Review Committees (staff and policy committee members) and go over the rating and ranking criteria for that particular area to see if there is a way to meet HUD part way by adding more specificity. For example, provide a general statement of what you are looking for in a 20-point ranking. We need to respond to HUD on this matter. At the April 18th meeting, Richard would like the AOG’s to make a proposal on how this issue can be addressed and include some recommendations. We need to re-evaluate where we are, verbalize the issues we want to take into account and explain how specificity will be applied.

When working with the 20% cap on planning and administration, the new budget sheet must show that technical assistance is not part of administration and planning. By breaking out the technical assistance, there will be more dollars available in a contract that is beyond the maximum allowed for planning and administration. Each work item much also be broken down into technical assistance, planning and administration. More money needs to be allocated to technical assistance and not administration. Administration costs will be such things as secretaries, payroll, utilities or indirect costs. Providing people with help is usually technical assistance. The State funded AOG Administration contracts of \$6000 cannot be increased. These contracts are paid for out of the State’s CDBG administration money. That money is given to the AOG’s to manage the process of rating and ranking the applications. However, Richard said, we are starting to see, in the regular T.A. scopes of work, management of the RRC. This is illegal. The \$6000 may not meet the all of the costs incurred, but we cannot allow any management of the rating and ranking process in your planning and technical assistance contract. It all

has to be out of the \$6000 administration contract. Staff will review to see if this money is justified in all regions when not all regions have the same rating and ranking process. In order to do this AOG's must track how much money is actually spent on rating and ranking. All applicants should have a site visit made prior to the rating and ranking. Hours and miles will need to be tracked. There is a potential for some regions to get more money and also the possibility of the money being cut back according to need.

DeMar Mitchell suggested that the AOG's reconstruct what was done for rating and ranking this year and be ready to discuss it at the April 18th meeting. Administration of the RRC in any context would be part of rating and ranking. Richard and his staff will prepare a letter and define what is needed in the \$6,000 administrative contract.

LEGISLATIVE UPDATES: Richard reported that according to the speech President Bush gave regarding his proposed budget, HUD will continue using the Community Development Block Grant formula funding at the 2001 level. Congress must vote on this proposal. The new Secretary of HUD is Mel Martinez, the former Orange County Florida Administrator. He is very conservative.

In the HOME Program, 130 low-income families will receive money for down payment assistance on their first homes; 15 will be in Utah. Other plans include: 1) More community technology centers will be set up in high poverty neighborhoods; 2) All expiring low income rental subsidy contracts will be renewed; 3) 34,000 additional low-income families will be provided with housing vouchers; 4) A \$20,000,000 competitive grant will be taken off the top of CDBG money to improve access for disabled Americans; 5) There will be a renewing of the Dream Tax credit program; 6) 100,000 Section 8 homes will be rehabilitated. There will not be community builders; they will be reassigned and have a new title.

The Utah Legislature actions won't affect us too much. The OWHTF received a base amount of \$2.25 million plus \$500,000 of new ongoing money. Our program will get \$2.75 million from now on as the base amount. We also received \$300,000 of one-time money. We asked for \$2 million more, and received about \$800,000.

The Utah Legislature also passed a recodification of the Redevelopment Law. Duplication was removed and the law is about three-fourths the size that it was. The Legislature is also redoing the OWHTF Board. If the bill passes, the Board will become a Policy-making Board, not an Advisory Board. Kerry Bate will no longer be the Chairman. That position will be on a rotated in a yearly basis.

OTHER BUSINESS: The Fillmore Section 108 project used CDBG money to guarantee a loan that was sold to private investors. If such a loan defaults, then CDBG money is used to pay off the loan. With this project, \$650,000 went under. The Policy Committee decided that it was the responsibility of Six-County to pay it back, and Six-County decided that it was the responsibility of Millard County to pay it back. Millard County may file suit against the State of Utah because they did not think they would be solely responsible. They may also sue Six-County AOG. The Attorney General who is working on our behalf has said that he does not think that we would win in court. He suggests that we revisit the problem in terms of what we would do to help resolve this should it be taken to court. A couple of options are: 1) Wait until they actually file suit; 2) suggest other options to them before they file suit; 3) do nothing. Right now the money is being repaid out of Millard County's portion of the Six County allocation. The contract is between HUD and Millard County. The minutes do not reflect the Board giving Six County the responsibility. DeMar Mitchell feels that the state should help Millard County. A payment was made on 2/1/01 leaving a balance of \$520,000 remaining principle. The State does not want to use other region's CDBG money to pay off the loan. If the State does want to help, each Region would pay \$9,000 per year. Irresponsible management on the project caused the default. Richard will prepare a summary of what our review of the situation has found and will offer some alternatives to the AOG's again so that discussion can be held at the meeting on April 18, 2001. The Board, not the AOG's, will make the ultimate decision. Board members will represent the AOG's and will vote on behalf of the AOG's. The decision will be by majority rule.

Keith Heaton presented the new Contract Retention Proposal. The State Code has changed from 10% construction retainage for contractors to 5%. Keith proposed that we also change the CDBG percentage to 5% to be in line with the State. There cannot be any interest earned on CDBG money. Keith also recommended that we would like to have the option to retain more than the 5% in the event of abnormalities or non-compliance with federal law at any time during the project. Bryce Nielsen asked if by State Law we are allowed to retain more. Keith said he thought it would be legal.

Motion: Bryce Nielsen made a motion that we drop our pre-monitoring contract retention from 10% to 5% with the option of withholding an amount greater than 5% if there is an indication of non-compliance at any time during the contract period. Lorna Stradinger seconded the motion, and it carried.*

*(Earl Maeser, legal counsel for DCED, indicated that it is permissible to retain an amount greater than 5% if there is an indication of non-compliance with federal law at any time during the project).

Sheila Peterson presented a new Subcontractor's Agreement that she would like to include as Appendix G of the applicant's guide. The form that has been used, Inter-local agreement, is only an agreement with two political entities. The new agreement title has been changed so that it can be used for all contracts including those with non-profit agencies. Staff recommends that this new form be used for all the cooperative agreements that are done by grantees with their non-profits or their other sub-grantee agencies.

Motion: DeMar Mitchell made a motion that the Subcontractor's Agreement be made a permanent part of the grantee applicant guide. Bryce Nielsen seconded the motion and it carried.

Sheila said there will be a discussion on lead- based paint Implementation at the April 18th meeting with the AOG's. The whole issue is very complicated. She will present some ideas on how to use the money, especially for grantees that are doing housing.

NEXT MEETING: The meeting will be held in June in Sanpete, Sevier or Juab County. Richard suggested the Fish Lake Lodge. The dates will be June 28 and 29, 2001. More information will be sent once a final decision is made.

ADJOURNMENT: The meeting adjourned at 4:15 p.m.

ACTION ITEMS:

- Staff will send out letter to Board showing contingencies on butler Builders project.
- At April 18, 2001 meeting AOG's will have recommendations on how to add specificity for rating and ranking process.
- Richard and staff will send out a letter defining what is needed in the \$6,000 administrative contract.
- Richard will prepare a summary of what we have found in the review of the Fillmore Section 108 project and offer some ideas on the resolution of this problem.

